Internet Advertising:
The Wave of the Future
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Key *Points*

Why use Internet advertising?

Effectiveness of Internet advertising

Types of Internet advertising

Calculating the cost of Internet advertising

Internet tracking technology

Your thoughts on banner ads

Examples of Internet ads

The Internet as an advertising medium is a relatively new concept, but it is quickly being folded into the mainstream of the advertising industry. The phenomenal growth of the Internet as a shopping device is fueling the explosion of online advertising. Businesses are eager to tap into a medium that offers the possibility of reaching millions of potential customers 24 hours a day, seven days a week. The promotional messages can be delivered with the click of a mouse at a customers home or workplace. However, the effectiveness of this type of advertising in relation to its cost is as yet unproven.

Today, approximately 50 million computers in the U.S. are connected to the Web, and shopping has become the fastest-growing use of the Internet. In 1998, businesses sold approximately $43 billion worth of goods and services to each other on the Internet, and that figure is expected to be as high as $1.3 trillion in the year 2003. Also, total commerce on the Internet already amounts to $301 billion of online sales of industrial and consumer goods and services as well as the equipment and software to support it are included, according to the Center for Research in Electronic Commerce at the University of Texas.

The total number of Internet shoppers is currently estimated to be approximately 20 million. As the number of online shoppers continues to increase, the cost and effectiveness of Internet advertising becomes more of a concern to marketers.

According to *Advertising Age,* approximately $2.4 billion will be spent on Internet advertising in 1999. Some estimates predict that online ad revenues will zoom to $22.2 billion in the year 2004. Although Internet advertising has surpassed outdoor advertising in annual spending, online ad expenditures represented only about 5% of what was spent on TV ads in 1998. A new survey of advertisers indicates that 66% of respondents spend more on traditional media, 19% spend an even mix on traditional and online advertising, and 6% spend more on online advertising.

The primary form of online advertising is the banner ad which is usually an inch or less tall and as wide as the web page. Currently, banners account for more than 50% of Internet ad sales, but Forrester Research Inc. estimates that banner advertising will decline because it is vaguely targeted and generates a limited response. A recent survey indicated that the majority of people who viewed the banner ad did not click on it to be transported to the advertiser's actual site.

Similar to banner ads but much smaller are the button ads. This form of Internet advertising usually is placed in strategic positions on a web page such as in the upper-right corner. Buttons are designed to quickly attract attention and encourage the viewer to click through to the advertiser's page.

Some advertisers use billboards which are large display advertisements that pop up as an overlay on the top of the web page. A viewer must click to close the billboard which guarantees that the message is seen,

The methods of calculating the cost of Internet advertising are similar to the calculations used for other traditional forms of advertising. One of the most common techniques is cost per thousand impressions (CPM) which involves counting the number of times that an ad is viewed. Some search engines charge a flat monthly fee for a specific ad to pop up each time a viewer searches for a certain word. Flat-fee advertising is also available on some individual web sites that are beginning to sell space on their pages.

Another method calculates the cost on the basis of how many viewers clicked through from the advertisement to the advertiser's actual site. Also, the cost can be based on how many people completed a transaction or sale after clicking through to the advertiser's web page. A less common pricing method is per-inquiry and is similar to paying for leads.

Many web marketers disagree as to whether it is more effective for an advertisement to be seen by a lot of people or for the ad to sell a product to a more limited audience. Currently, there is no one industry standard for measuring the effectiveness of online advertising.

When the first advertisement appeared on the Internet just five years ago, there was only one way to measure the ad's effectiveness and that was to count the number of times an ad was viewed. Today, new technology allows a system to track a Visitor's entire journey on the Internet. Along the way, the system gathers demographic information about the visitor that is accumulated into a database for future use.

In order to make sure that they are spending their advertising dollars wisely and obtaining the greatest benefit, many businesses use ad placement companies. These companies target. place, and track Internet advertising. They are able to measure the number of people who see an ad, determine if they click through to the advertiser's site, and find out if they make a purchase at that time or return to the site another day. Businesses analyze this information in an effort to determine if the advertising costs justify the results.

Businesses are continuing to refine their use of Internet advertisements and are looking for new and improved ways of reaching potential customers. With no clear-cut measuring device available, they are gambling that their advertising efforts are paying off. However, most businesses are willing to take the financial risk because of the enormous market they have the potential of reaching on the Internet

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Discussion Questions

1. Why does advertising on the Internet appeal to any businesses?
2. Why should the effectiveness of Internet advertising be of concern to marketers?
3. Discuss and compare the various types of Internet advertising.
4. How are the costs of Internet advertising calculated?
5. Discuss the new tracking technology as it pertains to Internet advertising.
6. As an Internet user, how do you feel about using search engines and web sites that require you to view banner advertisements before you can access an intended site?
7. Access the Internet and locate examples of button, banner, and billboard ads. Discuss your findings with the class.

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